



**ANNUAL INTERNAL AUDIT REPORT AND ASSURANCE  
STATEMENT 2015/2016**

Version number: 01  
Dated: 1<sup>st</sup> April 2016

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**PURPOSE OF REPORT**

To inform the Audit Committee of the extent and outcome of Internal Audit work during the 2015/16 financial year and to present an Annual Statement of Assurance regarding the Council's Internal Control Framework.

**RECOMMENDATIONS**

- 1 That the report be noted.**
- 2 That the Controls Assurance Statement be accepted and considered by the Committee in relation to the annual governance review and Annual Governance Statement.**

**1 Introduction**

The PSIAS (Public Sector Internal Audit Standards) came into force from 1 April 2013. The PSIAS and the Application Note together supersede the 2006 CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. As set out in the Public Sector Requirement in PSIAS 2450, the Chief Audit Executive must provide an annual report to the Council timed to support the annual governance statement.

**2 Scope of Responsibility**

Causeway Coast and Glens Borough Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital part in advising the Council that these arrangements are in place and operating properly. The annual internal audit opinion, which informs the governance statement, both emphasises and reflects the importance of this aspect of internal audit work.

Causeway Coast and Glens Borough Council acknowledges its responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money and assets are safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, Members and Senior Officers are responsible for ensuring proper arrangements for the accountability of the Council's affairs and the stewardship of the resources at its disposal. The Council's corporate governance arrangements are set out in a Local Code of Corporate Governance. The Local Code is consistent with the principles and reflects the requirements of the Chartered Institute of Public Finance (CIPFA) and Society of Local Authority Chief Executives (SOLACE) in their document 'Delivering Good Governance in Local Government Framework'.

**3 Purpose of the System of Internal Control**

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure. It can, therefore, provide reasonable (but not absolute) assurance of effectiveness. The system of internal control is based on ongoing processes designed to identify and prioritise the risks to the achievement of Causeway Coast and Glens Borough Council's policies, priorities, and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically. Increasingly, the emphasis is on 'positive' controls to ensure the achievement of policies, priorities, and objectives, rather than 'negative' controls for the avoidance of risk.

#### **4 The Internal Control Environment**

Key elements of the Council's internal control environment include:

- An Audit Committee that is a fully constituted Committee of the Council and an Internal Auditor that reports to it.
- A Chief Executive and Chief Finance Officer with responsibility for ensuring the proper administration of the Council's financial affairs.
- Processes for maintaining internal control including, financial regulations and administration procedures (including segregation of duties), management supervision, and a system of delegation and accountability.
- A Risk Management Strategy was approved by the Audit Committee in October 2015. The Corporate Risk Register and Departmental Risk Registers were updated in 2015.
- An Ant-Fraud, Corruption & Bribery Policy and Whistle blowing policy were updated and approved by the Audit Committee in June 2015.
- Codes of Conduct for Members and Officers. The Code of Conduct for Officers was re-issued in 2015 and training was provided to all Officers. The Code of Conduct for Members was re-issued in 2015 and training was provided to all Members, who signed the Declaration of Acceptance of Office.
- A Council Strategy setting out the priorities of the Council between 2015 and 2019. Council also has a process of Business Plans for all services which take account of risks, budgetary limitations and identify service priorities.
- An annual budget, regular monitoring of actual expenditure compared to budget, and quarterly review meetings.

#### **5 Processes for Reviewing the Effectiveness of the System of Internal Control**

Internal Audit is established as a section of Chief Executives, reporting functionally to the Director of Performance. Professionally, it operates to standards set out in the PSIAS (Public Sector Internal Audit Standards) and operates and reports in accordance with an approved Internal Audit Manual and Charter. The PSIAS mandate the periodic preparation of a risk-based plan, which must incorporate or be linked to a strategic high level statement of how the internal audit service will be delivered and developed in accordance with the charter and how it links to the Council objectives and priorities. The risk-based Internal Audit Plan for 2015/16 was approved by the Audit Committee in June 2015. The risk-based plan outlines the assignments to be carried out, their respective priorities. The plan is drawn up taking into account the Corporate Risk Registers which assist in identifying high, medium and low risk areas. High risk areas identify in broad terms the audit areas that should be audited with greatest urgency and on an annual basis whereas low risk areas will be audited on a rotational basis. The plan is sufficiently flexible to reflect the changing risks and priorities of the Council.

During the course of each audit, key issues are brought to the attention of the relevant manager to enable corrective action to be taken. Before issuing the final report, the contents are discussed with the appropriate levels of management to confirm the factual accuracy, to seek comments and to confirm the agreed management actions. At the end of each quarter an audit report is provided to Senior Management Team detailing recommendations of all audits carried out within that quarter. This audit report also informs Senior

Management Team if recommendations have been actioned by Management and also provides them with the opportunity to discuss any areas of concern.

The key process for review is the Council's Audit Committee, which receives reports from internal and external auditors. The risk-driven internal audit plan provides a continuous programme of review of corporate governance and risk management arrangements, together with the audit of the systems of internal control, including the accounting systems.

The PSIAS for Internal Audit sets out standards which establish how a professional internal audit service should operate in local government. It provides a framework for measurement, management and monitoring of the audit function. A checklist for assessing conformance has been completed by internal audit to satisfy the requirements set out in both the PSIAS and the content of the Application note itself. This checklist will assist Causeway Coast and Glens Borough Council prepare the Annual Governance Statement and will be presented to the Audit Committee in March 2016.

## **6 Results of Assurance Work**

In all cases, completed assurance audits have resulted in the production of a report and action plan, agreed by managers and submitted for consideration by Senior Management Team and the Audit Committee. The assurance system uses four levels of opinion, as follows:

<b>Category</b>	<b>Definition</b>
<b>No Assurance 'Dark Red'</b>	There are fundamental weaknesses in the control environment which jeopardise the achievement of system objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
<b>Limited Assurance 'Red'</b>	There are a number of significant control weaknesses and/or a lack of compliance which could put the achievement of system objectives at risk and result in error, fraud, loss or reputational damage.
<b>Satisfactory Assurance 'Amber'</b>	An adequate control framework is in place but there are weaknesses and/or a lack of compliance which may put some system objectives at risk.
<b>Full Assurance 'Green'</b>	There is a sound control environment with risks to system objectives being reasonably managed. Any deficiencies identified are not cause for major concern.

## Annual Internal Audit Report and Assurance Statement 2015/2016

The 2015/2016 audit plan allocated 217 days for the completion of audit work. Satisfactory progress has been made against the Internal Audit plan during the period with assignments being completed in accordance with the plan. The full list of audits, together with detail on the status and opinion is provided in the table below:

Audit Area	Audit Status	Assurance Opinion
<b>Sports Centres: -</b>  Coleraine Leisure Centre Joey Dunlop Leisure Centre Sheskburn Recreation Centre and Quay Road Sports Complex Roe Valley Leisure Centre	Final Report Final Report Final Report Final Report	Satisfactory Satisfactory Full Satisfactory
<b>Spot Checks of Seasonal/Leisure Facilities: -</b>  Anderson Park, The Warren, Portrush Recreation Grounds, Watersports Centre, Waterworld, TICs, Ballycastle Tennis Courts/Golf Course, Ballyreagh Golf Course, and Benone Tourist Complex & Rathlin Visitor Centre.  Moorings at Coleraine and Drumaheglis Marinas, Portrush, Portstewart, Portballintrae, Ballintoy, Rathlin, Red Bay & Dunseverick Harbours, Ballycastle Harbour & Marina, including Waterford & Dalriada Slipways.  Touring and Tent payments at Carrick Dhu, Juniper Hill, Benone, Cushendun and Cushendall and Drumaheglis Caravan Parks.	Final Report	Satisfactory
<b>Trade Waste/Civic Amenity Sites</b>	Final Report	Satisfactory
<b>Craigahulliar Landfill Site</b>	Final Report	Full
<b>Art Centres: -</b>  Flowerfield Arts Centre Roe Valley Arts Centre Ballymoney Town Hall	Final Report Final Report Final Report	Satisfactory Satisfactory Satisfactory
<b>Museums: -</b>  Coleraine Ballycastle Ballymoney Limavady and Green Lane	Final Report Final Report Final Report Final Report	Satisfactory Satisfactory Satisfactory Satisfactory
<b>Policing Community Safety Partnership (PCSP)</b>	Final Report	Full
<b>Fleet Management</b>	Final Report	Satisfactory
<b>Off Street Car Parks</b>	Final Report	Full

Overall satisfactory assurance opinions were provided. Audit is of the view that the implementation of the recommendations made in the audit reports will strengthen the systems of control and allow Council to sustain or achieve an increased level of assurance in these areas during future audits.

## **7 Controls Assurance Statement**

It must be recognised that Internal Audit can be expected to provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist.

This assurance statement is drawn from both the results of individual internal audit assignments and the results of follow-up reviews into previously completed audits.

It is my opinion that satisfactory assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in relation to the financial year 2015/2016.

In the Internal Auditor's view, the internal audit work undertaken has not identified any issues of sufficient significance to warrant specific mention in the annual governance statement.

## **8 Overall Opinion**

The work of Internal Audit seeks to provide assurance to the Council as to the appropriateness and effectiveness of its internal control and corporate governance arrangements. During the 2015/16 financial year, Internal Audit's work has provided assurance in a variety of areas as well as incorporating input and contribution to the development of a number of key systems and processes.

The proposal is that the Committee accepts Internal Audit's assurance statement on the overall adequacy and effectiveness of Causeway Coast and Glens Borough Councils governance, risk and control framework.